

July 16, 2024

MassBudget Testimony in Support of “An Act Relative to Property Tax Classification in the City of Boston” (HB.4805)

Thank you Chair Cusack, Chair Moran, and esteemed members of the Joint Committee on Revenue for hearing my testimony today.

The Massachusetts Budget and Policy Center (MassBudget) is a think tank that for over 35 years has provided policy research and analysis for a thriving and equitable Commonwealth. I am the Interim President.

Four years ago, MassBudget published a [report](#) on how to improve the economic fairness of property taxes. The fifth of our seven recommendations was for the Commonwealth to allow municipalities greater differentiation in how they apply tax rates between commercial and residential property. We believe the merits of that recommendation also apply strongly to the present circumstances in Boston.

The vast majority of commercial and industrial property in the Commonwealth is located in municipalities that split their tax rolls, opting to place higher tax rates on commercial and industrial property than applied to residential property.

Splitting property tax rolls this way is the common practice in sizeable cities. Doing so does not alter the amount of property tax collected by a municipality. It is revenue-neutral. Its impact is to shift tax responsibility towards owners of commercial and industrial property and reduce property tax bills for resident owners and indirectly the taxes that might get passed onto home renters.

“Splitting” tax rates also advances economic and racial equity by shifting the source of public revenue towards those who tend to have a greater ability to pay. We know there are certainly resident taxpayers who are very wealthy and commercial owners with modest wealth; but we know overwhelmingly from decades of Federal Reserve studies that total ownership of business property wealth is far more concentrated among the very rich than is ownership of homes. Likewise, [Federal Reserve data](#) shows that ownership of business wealth is far more concentrated than home ownership in the hands of white residents rather than people of color.

Finally, given the particulars of the current situation in Boston, we believe the proposed policy before you is actually quite restrained and moderate.

- While 70 percent of revenue for the City of Boston comes from property taxes, only half of the revenue growth proposed by the Mayor's budget would come from the property tax. Far from over-tapping a single source, Boston is proposing to diversify its revenue sourcing.
- With a projected decline in assessed commercial property values, Boston utilization of the present proposal would still result in a declining percent of property tax dollars paid by commercial owners. The policy would only moderate this decline and prevent otherwise abrupt and steep increases in residential tax bills. The overall impact is to preserve something closer to the status quo.

We urge you to temporarily enable Boston to further differentiate its property tax rates by approving this bill.

Thank you,

Phineas Baxandall
Interim President
Massachusetts Budget and Policy Center